Corporate Governance

❯ Hitachi's Aims

"Sustainability management" is expected to play an array of roles in realizing a sustainable society, a key component of the Sustainable Development Goals (SDGs)—the centerpiece of the 2030 Agenda for Sustainable Development, adopted by the United Nations in 2015. We believe that meeting society's expectations requires a corporate culture that unfailingly contributes to the resolution of social issues through the creation of products and services and that ensures ethical and fair business activities.

We are cultivating a self-directed corporate culture where CSR perspectives are reflected in management decision making and a common identity is shared throughout the Hitachi Group. In addition to pursuing greater managerial transparency and efficiency, we have identified the main themes of this effort as sharing our Codes of Conduct and values throughout the Group and promoting multifaceted risk management. In these ways we are accelerating the development of corporate governance that incorporates CSR into our decision making and operations across our business activities.

Main Plans and Results

Policies	FY 2015 goals/plans	Results in FY 2015	Achievement level	FY 2016 goals/plans
· Instilling of the Hitachi Group Identity in employees	· Further instill the Hitachi Group Identity under an "autonomous decentralized global management" structure, raise employee awareness globally to realize the Hitachi Group Vision	· Implemented the brand awards "Inspiration of the Year Global Awards 2015" to promote understanding the Hitachi Group Identity and Hitachi brand; shared within the Hitachi Group video of the round table session with CEO Toshiaki Higashihara and the grand prix winners · Held brand-training sessions to gain employees' understanding about the Hitachi brand · Held brand-training sessions in Europe, Southeast Asia, China, and India	★★★	· Realize the Hitachi Group Vision by further instilling the Group Identity in employees, raise employee awareness to achieve the 2018 Mid-term Management Plan (1) Provide training worldwide to promote understanding of the Hitachi Group Identity and the Hitachi brand value (2) Implement the brand awards "Inspiration of the Year Global Awards 2016"; foster and utilize brand ambassadors (3) Hold brand-training sessions
· Establishment of corporate ethics, strict compliance with laws and regulations	· Enhance Group-wide compliance framework globally	· Held Compliance Management Conference · Convened Advisory Committee · Revised Hitachi Global Compliance Program · Shared CEO's message during Ethics and Compliance Month · Held Hitachi Group Compliance Conference · Appointed Regional Head of Compliance	★★★	· Enhance Group-wide compliance framework globally

★★★: Achieved   ★★: Partially achieved   ★: Not achieved

Pursuing Management Transparency and Efficiency

Hitachi's Approach

We not only strive to ensure the legality, soundness, and transparency of our business but also endeavor to respond rapidly to constantly changing economic and social conditions and efficiently conduct operations. At the same time we are bolstering management oversight and monitoring capabilities and clearly defining managerial responsibilities with a view to sustainably enhancing our corporate value by forging ever-stronger corporate governance.

Worldwide social and environmental megatrends, such as population growth and climate change, have reached a point in recent years where they are having a bigger impact on corporate management decisions. As a global company that contributes to society through our Social Innovation Business, we are working to ensure that environmental and social issues are at the heart of decision making at the highest levels of corporate governance.

Corporate Governance

Driving Hitachi's Governance

Hitachi, Ltd. has adopted the committee system, which has nominating, audit, and compensation committees.[1] We aim to establish a framework for quick business operations and to realize highly transparent management by separating the responsibilities for management oversight from the execution of business operations. The majority of our Board of Directors are outside directors, including non-Japanese. Our goals are to reflect diverse and global viewpoints as well as to reinforce management supervisory functions. We have formulated and published Corporate Governance Guidelines outlining the framework of corporate governance, such as the function and composition of the Board of Directors, qualifications for outside directors, and the criteria for assessing the independence of outside directors.

[1] A corporate governance system under the Companies Act of Japan, where a board of directors makes basic policy decisions and oversees the execution of business by executive officers, while the executive officers, appointed by the board of directors, execute the company's business affairs via a set of statutory committees.

Corporate Governance Guidelines

Governance Structure of Hitachi, Ltd.

The Board of Directors comprises a majority of outside directors and includes five non-Japanese directors, two of whom are women. This represents an effort to reflect global, diverse viewpoints in company management, as well as to reinforce management supervisory functions.

General Meeting of Shareholders

Election

Board of Directors
(13 members, including 9 from outside)

Nominating Committee
(4 members, including 3 from outside)

Audit Committee
(5 members, including 3 from outside)

Compensation Committee
(4 members, including 3 from outside)

Appoint   Supervise

Executive Officers: Quick execution of company business

A Business Structure for Collaborative Creation

From fiscal 2016 we are transitioning from our existing product-specific in-house company system to a business structure that bolsters frontline functions to accelerate collaborative creation with customers and provide innovation through our services and products.

Market-Specific Business Structure with Strengthened Frontline Functions

Our new business structure consists of service-focused businesses that provide innovation as a service to our customers and product-focused businesses that furnish products, parts, and materials.

In the service-focused businesses, the service and platforms business unit provides a shared, open platform, and 12 front business units offer services in the power and energy, manufacturing and water, urban development, finance, public sector, and healthcare markets. The front business units have bolstered frontline functions such as sales, engineering, and consulting, while the service and platforms business unit offers a shared platform for aggregating and integrating technologies essential to providing advanced services, including artificial intelligence (AI), analytics, and control technologies, integrating them in a system enabling collaborative innovation with customers.

Our product-focused businesses present customers and front business units globally competitive products, parts, and materials.

Business units are directly operated by the president, while CEOs of individual business units have investment authority and responsibility for profit and earnings. They work in partnership with other business units, comprehensively and organically leveraging the resources of the entire Hitachi Group and creating innovations quickly and flexibly in order to provide optimum products and services to customers.

Our business model aims to sustainably create value. Through our Social Innovation Business it contributes to improving people's quality of life by addressing on an ongoing basis the issues society and our customers face.
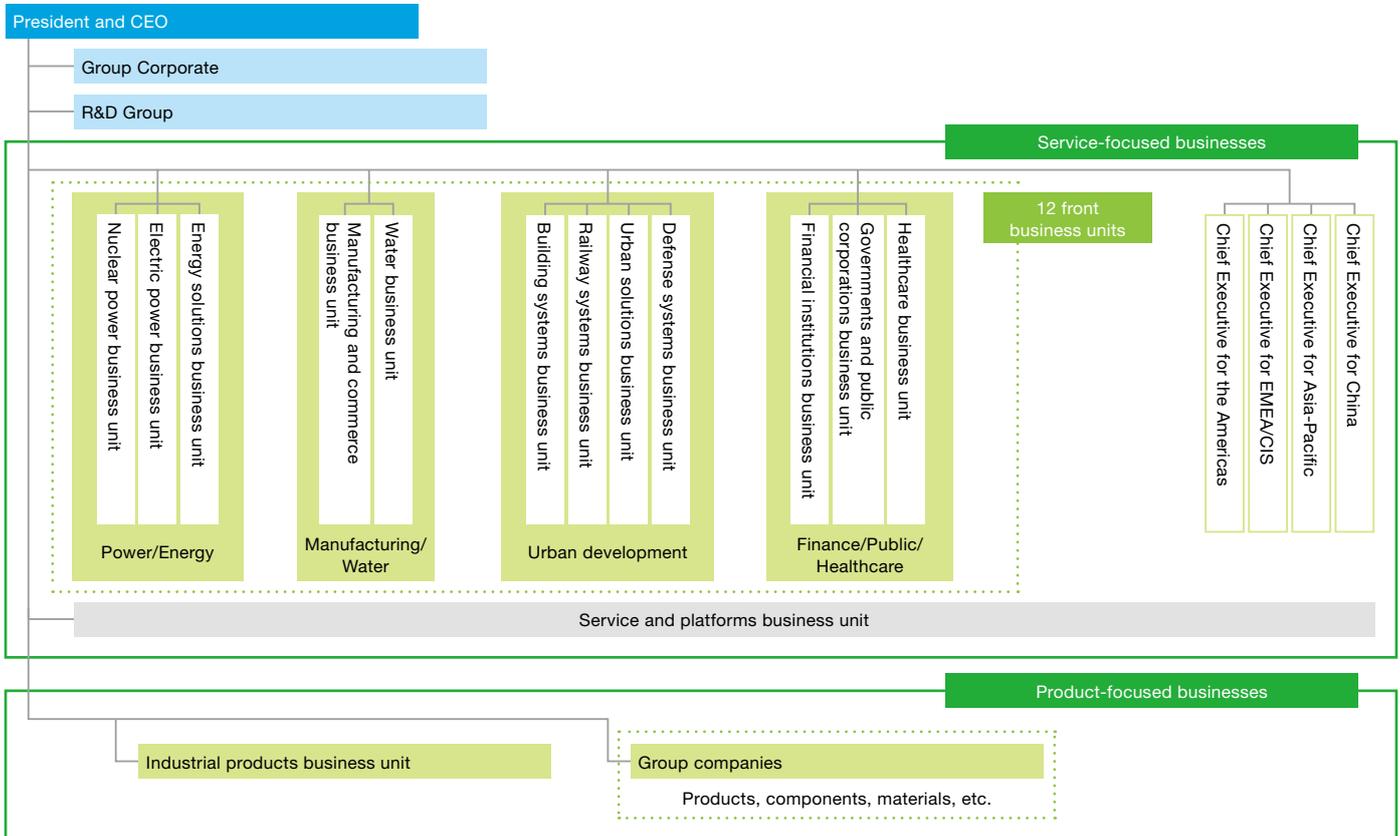
Fiscal 2016 New Business Structure

President and CEO

Group Corporate

R&D Group

Service-focused businesses

Power/Energy
- Nuclear power business unit
- Electric power business unit
- Energy solutions business unit

Manufacturing/Water
- Manufacturing and commerce business unit
- Water business unit

Urban development
- Building systems business unit
- Railway systems business unit
- Urban solutions business unit
- Defense systems business unit

Finance/Public/Healthcare
- Financial institutions business unit
- Governments and public corporations business unit
- Healthcare business unit

12 front business units

- Chief Executive for the Americas
- Chief Executive for EMEA/CIS
- Chief Executive for Asia-Pacific
- Chief Executive for China

Service and platforms business unit

Product-focused businesses

Industrial products business unit

Group companies

Products, components, materials, etc.

Hitachi to Make a Transition to a Market-Specific Business Structure with Strengthened Frontline Functions

Transition to a Global Management System

To accelerate growth in the global market, Hitachi in April 2015 appointed regional chief executives in the four global regions of the Americas, China, the Asia-Pacific, and EMEA/CIS.*1 In addition to creating regional growth strategies, promoting localization, and effectively utilizing management resources, the chief executives have authority to establish our Social Innovation Business in new business areas where growth is expected. The chief executives also advance our Social Innovation Business based on market needs, providing services and solutions that leverage our strengths. Toward the goal of thorough compliance, they promote coordinated global management of our operations and efficient allocation of our management resources. In this way, Hitachi provides innovation at the highest level and establishes firm governance as a global company.

In the Americas, a market that features world-leading IT innovations, big data analytics are providing new solutions in a variety of industries, including energy. In China, we have brought the direction of our Group operations in line with government initiatives for strengthening infrastructure networks and improving health presented in the Thirteenth

Five-Year Plan, and are also promoting our Social Innovation Business in developing countries. Social-infrastructure-related demand is very strong in the Asia-Pacific, where the aim is to collaborate with local partners in the region in developing our Social Innovation Business to solve issues common in urban areas. In the EMEA/CIS region, where innovations in manufacturing drive markets, the focus will be on rolling out our Social Innovation Business aimed at increasing efficiency in production and supply chains. In all these regions, the chief executives will act as regional "control towers," developing and building solutions with Hitachi customers to resolve a variety of global issues that are becoming increasingly complex and borderless.

*1 EMEA/CIS: Europe, the Middle East, Africa, and Commonwealth of Independent States.

Internal Control over Financial Reporting

To ensure the reliability of consolidated financial reporting, every company develops and uses assessment documents for company-level controls, and business process controls based on the guidelines determined by our J-SOX Committee.*1

Our business units and major Group companies have developed mechanisms to objectively perform assessments. Assessment results are reported to the J-SOX Committee's office to assess the effectiveness of internal control.

*1 J-SOX: A system for the development of the internal control required under Japan's Financial Instruments and Exchange Act (FIEA) that ensure the reliability of financial reporting.

Hitachi Internal Control Assessment System
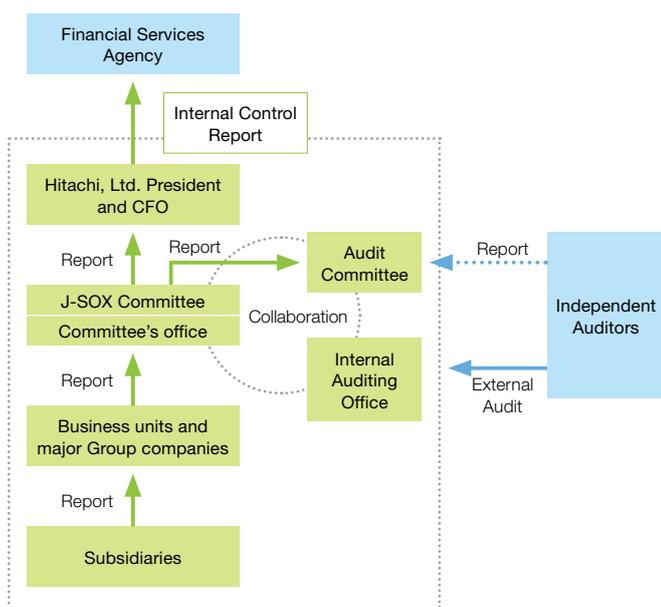
Compensation for Directors and Executive Officers

Compensation for each director and executive officer is determined by the Compensation Committee in accordance with the provisions of the Companies Act of Japan.

Compensation for directors consists of monthly remuneration and a year-end allowance. Compensation for directors is basically fixed.

Compensation for executive officers consists of monthly remuneration, a performance-linked component, and medium- and long-term incentive compensation. The higher the position that executive officers hold is, the higher the proportion of variable pay (the sum of the performance-linked component and the medium- and long-term incentive compensation, not including monthly remuneration as fixed pay) is as a portion of the total annual compensation. Monthly remuneration is decided by adjusting a basic amount to reflect the results of an assessment. The basic amount is set in accordance with the relevant position. The performance-linked component is decided by adjusting a basic amount to reflect financial results and individual performance. The basic amount is set within the range of about 25% to 35% of the total annual compensation of each executive officer in accordance with the relevant position. Medium- and long-term incentive compensation is in the form of stock options as stock-based compensation, with share price conditions (stock acquisition rights with the strike price of ¥1), with the number granted determined within the range of about 10% to 40% of the total annual compensation of each executive officer in accordance with the relevant position. As for expatriates, cash awards based on the value of Hitachi's share price with similar conditions are substituted for the stock options.

Beginning with compensation for fiscal 2008, the system for directors and executive officers was revised to abolish retirement allowances. The payment of retirement allowances to directors and executive officers due to the abolition of the retirement allowance system will be in an amount determined by the Compensation Committee at the time of the retirement of a relevant director or executive officer. The amount of compensation for directors and executive officers in fiscal 2015 is shown below.

FY 2015 Compensation to Directors and Executive Officers

Category	Recipients (number)	Total amount (millions of yen)
Directors (outside directors)	11 (8)	398 (280)
Executive officers	28	1,763
Total	**39**	**2,161**

* The number of directors indicated excludes two directors who concurrently serve as executive officers.
* Compensation to directors includes the monthly remuneration of one director who retired due to expiration of his term of office at the close of the 146th Annual General Meeting of Shareholders held on June 25, 2015.
* In addition to the above, there are retirement allowances of 56 million yen for two executive officers who retired on March 31, 2016.

HITACHI
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Sharing a Hitachi Group Identity

Hitachi's Approach

We carry out our business not only in full compliance with legal requirements but also in ways that ensure socially responsible conduct. Spreading understanding of this among all Hitachi employees is a fundamental management issue. As economic activity becomes increasingly borderless, there is a growing need for steps to eradicate bribery, corruption, and other illegal behavior in accordance with conditions in the countries and regions where we have operations. As a global company, we are implementing a consistent compliance structure across the entire Hitachi Group.

In pursuing sustainable management, we give equal importance to value creation that contributes to the resolution of social issues. This is being advanced through the dissemination and sharing among all employees of the Hitachi Group Identity—an integrated set of principles spelling out our management vision, Codes of Conduct, and values.

Sharing Codes of Conduct and Compliance Approaches Throughout the Group

Ensuring Awareness of the Hitachi Group Codes of Conduct

Hitachi, Ltd. formulated the Hitachi Group Codes of Conduct as a common conduct code for the Hitachi Group in fiscal 2010. We issued the *Hitachi Group Codes of Conduct Handbook* in fiscal 2011 as a guidebook for all employees; as of March 2016, more than 250,000 copies have been distributed to employees in Japan. We ask managers to submit a written pledge to comply with the Hitachi Group Codes of Conduct. To deepen awareness of the codes throughout our global operations, we have produced English and Chinese versions of a Japanese-language e-learning tool showing appropriate behavior and presenting specific examples for use in Hitachi Group companies within and outside Japan.

Hitachi Group Codes of Conduct

Enhancing Our Compliance Framework

To comprehensively implement our compliance framework, we have appointed a senior executive as the head of risk management for the entire Hitachi Group. Every business unit and key Group company also has an executive handling risk management, assisted by a compliance manager. We are also supporting regional Group companies and have appointed compliance heads in 11 regions globally.

Under this system, policies and measures are shared through the Compliance Management Conference, composed of risk management executives from business units and key Group companies. In addition, all compliance managers meet regularly at the Hitachi Group Compliance Conference to provide information on compliance and to confirm implementation of required actions.

The Advisory Committee, consisting of outside experts, convenes regularly to exchange views on the state of compliance initiatives. The insights provided by committee members are utilized to improve policies and actions.

The internal audit section regularly conducts Group-wide reviews to verify that each area of compliance is being appropriately operated. In cases where the reviews identify necessary improvements, corrective measures are swiftly implemented.

Compliance Reporting System

Hitachi has instituted a Group-wide whistleblowing system to prevent illegal and unethical behavior, to promptly address infractions, and to enhance our ability to self-regulate.

In this system, reports go directly to the Compliance Department at Hitachi or to an outside attorney. This system can be used not only by employees within the Hitachi Group, who are able to report issues through in-house channels, but also by temporary staff and suppliers. In addition, we have implemented the Channel to the Board of Directors system to allow employees to directly report problems anonymously to Hitachi directors. The facts related to all reports are subject to thorough investigation and checking, and people who have identified themselves in the reports are informed of the investigation results. We make every effort to appropriately deal with situations, including taking remedial action where necessary.

Management Approach

Activities

Performance Data

Corporate Governance ⟩ Sharing a Hitachi Group Identity

Prevention of Antisocial Transactions

To cut off all relationships with organized crime groups and other antisocial forces, we observe the following three provisions laid out in the Hitachi Group Codes of Conduct:

1. We will have no relations whatsoever with antisocial forces such as organized crime groups, and we will never engage in antisocial transactions under any circumstances.
2. We will prevent antisocial transactions through self-inspection of our transactions.
3. We will oppose antisocial forces such as organized crime groups with firm resolve, and refuse any improper demands.

The entire Hitachi Group acts decisively to eliminate approaches from antisocial forces in partnership with, where necessary, the police, external specialist institutions (the National Center for the Elimination of Boryokudan and Tokuboren, the Federation on Special Organized Crimes Within Jurisdiction of the Metropolitan Police Department), and lawyers. We include an organized crime elimination clause in contracts so that if it is determined that a business partner belongs to an antisocial group, we can void the contract and break off the relationship.

Thorough Export Controls

For basic export control policies, we have adopted the Hitachi Standards of Corporate Conduct, which state: "We shall help maintain international peace and security through compliance with trade-related laws and regulations." We established the Corporate Regulations concerning Security Export Control based on this policy in 1987. We carry out strict export control practices in line with relevant laws and regulations, screening all goods and technologies intended for export against such factors as destination countries and regions as well as intended end use and end users. We provide guidance and educational support to Hitachi Group companies to ensure that all Group companies follow the same export control policies. In fiscal 2015, we held workshops for Group companies in the United States, South Korea, and India providing practical training on export control. During this period an e-learning program in Japanese, English, and Chinese—Export Controls of the Hitachi Group (Introductory Course)—was introduced and taken by around 113,000 employees at Group companies worldwide.

🔍 Preventing Bribery and Corrupt Practices

🔍 Preventing Violations of Fair Competition Laws

Sharing Values Throughout the Group

Solidifying the Hitachi Group Identity

Instilling the Group Identity in Employees

To help us solve social issues through understanding and embodiment of the Hitachi Group Identity, our brand management must engage everyone in the Group. We use channels including our intranet to ensure that Group employees are clearly aware of what needs to be done to express the Group Identity. To promote understanding of the Hitachi Group Identity and the Hitachi brand, we launched the Inspiration of the Year Awards in fiscal 2003 to share activities within Hitachi that have demonstrated the Hitachi Group Identity and made an outstanding contribution to our brand value. In fiscal 2012, we began evaluating applications globally, renaming the program the Inspiration of the Year Global Awards. In fiscal 2015, the awards saw 227 applications from China, Europe/Africa, India, North America, Southeast Asia, and Japan. Outstanding activities from each region were highlighted on the intranet, and the president presented the awards at a ceremony held at our Tokyo headquarters.

To further instill the Hitachi Group Identity and promote understanding of the Hitachi brand among our employees globally, we held brand-training sessions utilizing the Hitachi Brand Book, a straightforward explanation of the Group Identity and Hitachi brand, and the Hitachi Vision Movie, a visual depiction of the Hitachi Group Vision. By raising employee awareness of the Hitachi Group Identity through these activities, we continue to strive to become a company that "delivers innovations that answer society's challenges."

Hitachi Group Identity

Advancing Risk Management on Multiple Fronts

Hitachi's Approach

Changes to our operating environment from such factors as the globalization of the economy and advances in and spread of information and communications technology (ICT) lead not only to the expansion of business opportunities but also to the diversification of risks to our operations.

We have built a diverse risk management system under which we carry out risk analysis to accurately gauge ongoing economic and social changes and use the insights gained to take preventive measures and ensure a rapid response to issues that may arise unexpectedly. As a company deeply involved in infrastructure projects in countries and regions around the world, we strive to minimize risks to society from our operations. Measures include those to ensure the stable supply of our products and services, further tighten our information security, and reinforce business continuity plans (BCP).

Reinforcement of Risk Management System

The entire Hitachi Group is reinforcing its risk management system to address increasingly globalized and complex risks.

Under Hitachi, Ltd.'s head of risk management, each business operation assigns an executive as its risk management officer to manage risks mainly concerned with compliance, export control, disasters, and crime, and to respond adequately in coordination among the entire Group. Furthermore, Hitachi is building a comprehensive risk management system that contains standards and procedures to objectively evaluate different risks that may affect business.

Stable Provision of Products and Services

Creating BCPs in Key Operations Worldwide

Given the close relation of our business to social infrastructure, we are enhancing our BCPs to ensure that the impact of risks does not disrupt our business and thereby significantly affect society. In December 2006, we issued the *Hitachi Group Guidelines for Developing Business Continuity Plans* in Japanese. In fiscal 2010 these were translated into English and Chinese for distribution to all Hitachi Group companies worldwide to ensure our response readiness for large disasters and other risks.

When the Great East Japan Earthquake struck in March 2011, our BCPs enabled quick responses and swift decision making. However, issues emerged including identification of secondary and other suppliers, cloud storage and multiplexing of production information, and the need to secure alternate transportation and fuel sources.

Based on the lessons learned from this disaster, in October 2011 we released and distributed new BCP guidelines for departmental implementation to further improve our BCPs. Hitachi Group operations in Japan completed their preparation and review of BCPs, based on applicability to their operations, by the end of fiscal 2011. BCPs for large earthquakes and novel strains of influenza have been prepared for 49 Hitachi, Ltd. business sites and 96 Group companies.

On top of these efforts, since fiscal 1998, Hitachi, Ltd. has held annual earthquake drills simulating a major seismic event at key operations in Japan. In November 2015, Hitachi Automotive Systems held coordinated drills at its head office and business sites in the cities of Sawa, Atsugi, and Fukushima, where managers in charge of their divisions confirmed the action plans in emergency situations based on BCPs.

In fiscal 2013, Hitachi appointed personnel in charge of risk-response policies at its main overseas bases and around 300 companies prepared BCPs with the goal of completing them for key operations by the end of fiscal 2013. These BCPs are aimed at strengthening our ability to respond to business risks, including large disasters, novel strains of influenza, political instability, and social disruption, as well as acts of terrorism. Moving forward, we intend to further expand the scope of our BCPs.
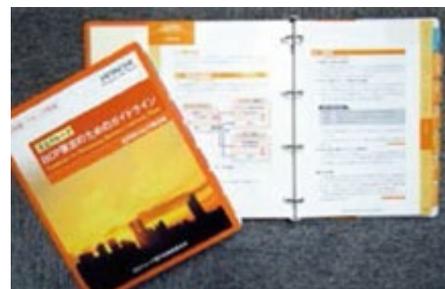
Hitachi Group Guidelines for Developing Business Continuity Plans (department version).

Earthquake simulation drill.

Hitachi Sustainability Report 2016

HITACHI
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Corporate Governance ⟩ Advancing Risk Management on Multiple Fronts

Creation of Procurement BCPs

We have a deep involvement in social infrastructures in places where the suppliers who are our business partners can be affected by major earthquakes and other natural disasters.

These disasters can heavily impact not only our business operations and those of our suppliers but also society as a whole. To minimize this impact, the procurement divisions in key Group and in-house companies in Japan have created procurement business continuity plans (BCPs) that (1) standardize and use generic parts to make procurement as flexible as possible; (2) cultivate multiple suppliers; (3) distribute production across several locations; (4) budget inventory strategically; and (5) consider substitute products. To see whether or not procurement BCPs would be effective, we held desktop exercises to discuss in a group what should be done during and after a disaster, making further improvements as a result. In fiscal 2015, 118 Group companies outside Japan took similar steps to bolster procurement BCPs, thereby contributing to the continuation of Hitachi's global operations.

Improving Safety for Employees Sent to Dangerous Regions

Responding to the hostage incident in Algeria in January 2013, then President Hiroaki Nakanishi reinforced his policy in February 2013 of ensuring the safety of employees sent to countries and areas at higher risk. Survey missions of in-house and outside experts are now sent beforehand to areas at high risk of war, terrorism, and other threats. Even after employees are dispatched to such areas, we conduct additional local surveys every six months as a means of confirming the effectiveness of our safety policies. In fiscal 2014, survey missions were sent to several countries in Africa and the Middle East. In addition, we have introduced a range of safety measures in the light of recent terrorist incidents involving Japanese and other nationals, including providing timely alerts to employees. These and other steps underscore our commitment to ensuring the safety of our employees working around the globe. Hitachi is also contributing to safety measures at other Japanese corporations operating outside Japan. To help enhance collaboration between the private and public sectors in this area, Hitachi executives participated in the Council for Public-Private Cooperation for Overseas Safety organized by Japan's Ministry of Foreign Affairs. Since 2014 Hitachi has taken part in public-private kidnap incident preparatory training exercises.

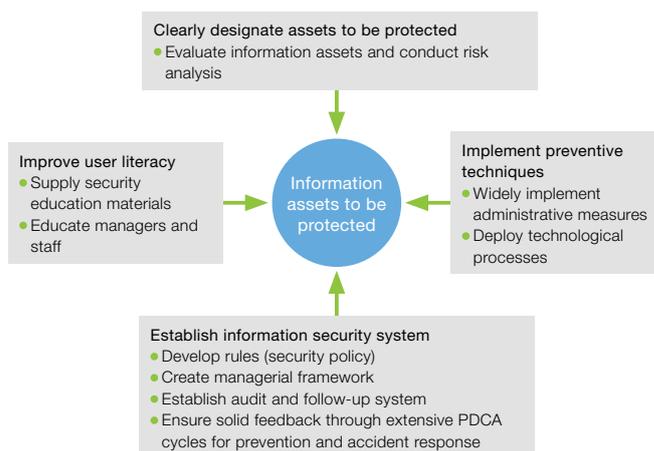## Promoting Information Security

Implementing Rigorous Information Security

The Information Security Committee, chaired by the Chief Information Security Officer, determines our information security policies and procedures. The Information Security Promotion Council and other bodies convey decisions internally and to other companies in the Hitachi Group. Information security officers at business sites and companies ensure that these decisions are implemented in the workplace.

The Hitachi Group emphasizes two points in information security and personal information protection:

(1) Precautionary measures and prompt security responses
We classify assets to be secured and take safeguarding measures based on vulnerability and risk analyses. We also have an emergency manual for security breaches, based on the assumption that these are inevitable, and not just possible.
(2) Promoting stronger ethical and security awareness among data users
We have prepared a program tailored to Hitachi's various personnel levels and are working to raise the prevailing sense of ethics and security awareness through Group-wide e-learning. We are also conducting audits to identify and address problems early on.

Basic Approach to Information Security Governance

Clearly designate assets to be protected
• Evaluate information assets and conduct risk analysis

Improve user literacy
• Supply security education materials
• Educate managers and staff

Information assets to be protected

Implement preventive techniques
• Widely implement administrative measures
• Deploy technological processes

Establish information security system
• Develop rules (security policy)
• Create managerial framework
• Establish audit and follow-up system
• Ensure solid feedback through extensive PDCA cycles for prevention and accident response

Management Approach   **Activities**   Performance Data

Corporate Governance ⟫ Advancing Risk Management on Multiple Fronts

Education on Information Security

Consistently maintaining information security requires all parties to continually develop their knowledge of information handling and to remain strongly aware of the issues. For this reason, we hold annual e-learning programs on information security and personal information protection for all directors, employees, and temporary employees.

Nearly all of the roughly 40,000 employees at Hitachi, Ltd. participate in these programs. We provide specific additional training, with clear goals, that is geared to new employees and managers, and to information system administrators in particular. In 2012, we also began simulation training to educate employees about the increasing trend toward targeted e-mail attacks and other cyberattacks. Employees are sent examples of targeted e-mail to heighten their awareness of security through direct experience.

Our educational programs, available to Hitachi Group companies in Japan and other global regions, provide Group-wide education on information security and personal information protection.

Preventing Information Leaks

Hitachi, Ltd. has formulated the Three Principles for Preventing Leakage of Confidential Information to ensure the highest level of care for such information and to prevent leaks and other incidents involving it. Our policies ensure that if an incident does occur, damage is promptly minimized by contacting customers, reporting to government agencies, investigating causes, and acting to prevent any recurrence.

Hitachi Group companies take the following IT steps to prevent information leaks: using encryption software and secure PCs; employing electronic document access control and expiration processing software; maintaining ID management and access control by building an authentication infrastructure; and filtering e-mail and visited websites. In response to the recent spate of targeted e-mail attacks and other cyberattacks, we are participating in an initiative to share information between the private sector and the government. We are also enhancing our IT organization by adding more layers to our leak prevention procedures, including both entry and exit countermeasures.

To ensure the secure exchange of information with our suppliers, we review their information security measures based on Hitachi's own standards before allowing them access to confidential information. We have provided tools to suppliers (procurement partners) for security education and for checking business information on computers. In addition, we require suppliers to check and remove business information from personal computers to prevent leaks.

Three Principles for Preventing Leakage of Confidential Information
Principle 1
As a general principle nobody can take Confidential Information out of the Company's premises.
Principle 2
Any person taking Confidential Information out of the Company's premises due to business necessity shall obtain prior approval from the Information Assets Manager.
Principle 3
Any person taking Confidential Information out of the Company's premises due to business necessity shall put in place relevant and appropriate measures against information leakage.

Global Information Security Management

Hitachi Group companies worldwide reinforce their information security in line with our Global Information Security Administration Rules, which conform to the international ISO/IEC 27001 standard. These rules are distributed from the parent company in Japan to Group companies around the world. Other security measures include secure shared services and support from our regional headquarters in the Americas, Europe, Southeast Asia, China, and India.

Thorough Information Security Audits and Inspections ⊘

The Hitachi Group has developed its approach to security based on the "plan-do-check-act" (PDCA) cycle for its information security management system. We conduct annual information security and personal information protection audits at all Group companies and business units.

The president appoints officers to conduct independent audits. These officers are not allowed to audit their own units, underlining our commitment to fairness and objectivity in auditing. There are 238 Hitachi Group companies in Japan that conduct audits in the same way as Hitachi, Ltd. and all results are subject to confirmation. For Hitachi Group companies outside Japan, we use a "common global self-check" approach to ensure Group-wide auditing and inspections. We implement Confirmation of Personal Information Protection and Information Security Management annually for the voluntary inspection of business unit workplaces. We conduct monthly Confirmation of Personal Information Protection and Information Security Management assessments at 453 operations (as of March 2016) that handle important personal information. This regular control mechanism ensures ample safety management and implementation.